MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2021/2022

BFN3114 – TAX PLANNING

(BO1)

16 AUGUST 2022
9 a.m. – 11 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 8 pages excluding the cover page with 4 Questions only.

2. Attempt **ALL** questions. The distribution of the marks for each question is given at the end of each question.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Mr. Koh is a senior financial analyst working with a local investment firm in Kuala Lumpur. He has served the firm since 2010. The details of his employment income for the year 2021 are as follows:

Employment Income and Benefits

- A total gross salary of RM85,600 per annum. 10% of the amount was deducted as contribution to Employees' Provident Fund account. Another RM15 was deducted every month for his SOCSO contribution.
- Bonus of RM10,000 was received in December 2021.
- Paid leave passage of RM517 to Langkawi Island, Kedah in October 2021.
- A semi-furnished single-storey house with air-conditioners. The house was rented by the firm for RM2,000 per month for the entire year. The furniture value of RM500 per month was included in the rental amount.
- Medical and dental benefits covered for himself and his family of RM5,000.

Other income

Mr. Koh had received RM1,800 interest from his fixed deposit account in Maybank, a local bank. The interest was credited into his savings account at the same bank in November 2021.

He had received RM18,000 of rental income from the property in Cyberjaya. There were few costs incurred during the year. Renovation of kitchen, quit and rent assessment, and repair of leaking toilet of RM4,500, RM200 and RM1,900 respectively.

On 25 November 2021, Mr. Koh received a dividend of THB2,000 from his investment with a company in Thailand. The exchange rate on that date was THB1: RM0.13.

Mr. Koh's wife, Angelina is a full-time house wife. They have 2 children, Anne and Timothy aged 7 and 10 years old. Both are schooling at primary school in Cyberjaya, Selangor. Mr Koh also look after his parents, aged more than 70 years old.

In the year 2021, Mr. Koh had made the following expenditures:

- Purchase of e-books and books for his children amounting to RM500 and RM300 respectively.
- Purchase of a laptop at RM2,100 for his personal use.
- Medical costs totalling RM7,000 for his father, who suffers from Alzheimer.
- Monthly payments of RM199 for his home internet broadband subscription.
- Donation of cash RM1,000 to a neighbour whose house was affected in a recent flood.
- RM1,100 cash contribution to the Ministry of Health's COVID-19 fund, an approved fund.

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- Medical costs for his mother-in-law of RM1,970
- Yearly premium of RM4,731 on medical insurance for his family.

Required:

Compute the income tax payable of Mr. Koh for the Year of Assessment (YA) 2021. Show ALL relevant workings. You should indicate by the use of word "**nil**" for any item with no adjusting entry.

[Total: 40 marks]

QUESTION 2

a) In July 2022, Mr. Bakar was contacted by an old friend, Mr. Park, who was migrating to Perth, Australia. Mr. Park had offered to sell his bread and confectionery factory to Mr. Bakar. The breakdown of the acquisition price proposed by Mr. Park is as below:

	RM
Cost of the factory building	130,000
Cost of the land the building was built upon	254,900
Legal fees for the land and factory acquisition	20,800
Incidental costs to acquire the factory	4,000

Mr. Bakar had contacted you for an advice.

Required:

Explain briefly whether any tax allowance would be available for Mr. Bakar should he agreed to purchase the bread and confectionary factory. Estimate the qualifying expenditure eligible for claiming such allowances.

[Total:10 marks]

QUESTION 3

b) Mr. Vikram was offered for a job, on a contract basis in Malaysia. He arrived on 1 December 2016. He reported to the new office a day after his arrival. The record of his stay in Malaysia shown as follows:

Year	Period of stay in Malaysia	No. of days
2016	1.12.2016 – 31.12.2016	31
2017	01.01.2017 – 15.04.2017	105
	28.04.2017 – 30.9.2017	156
2018	01.02.2018 – 31.03.2018	59
	01.06.2018 – 31.07.2018	61
2019	02.01.2019 – 17.02.2019	47
	15.09.2019 – 31.12.2019	108

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Year	Period of stay in Malaysia	No. of days
2020	Not in Malaysia	0
2021	01.01.2021 – 2.09.2021	245

Mr. Vikram took leave from 16.4.2017 to 27.4.2017 to attend his brother's wedding in Kolkata, India.

The whole year of 2020, Mr Vikram was serving and assisting branch of the company, that just commencing in Mumbai, India.

Mr. Vikram left Malaysia on 2.9.2021, permanently after few days of end of the job contract.

Required:

Assess Mr. Vikram's tax residence status for each of the relevant years of assessment. Support your answers using the relevant provisions of the Income Tax Act 1967 (as amended). Show all your workings.

[Total: 10 marks]

QUESTION 4

a) Ramu and Latif are good friends since their college's days. Due to the recent pandemic Covid-19, both of them had lost their jobs. Upon long discussions, they decided to operate a business offering repair services and supplies of office equipment under the name of RL Solutions Enterprise. Ramu and Latif would both involved in managing the daily operations of the shop. Ramu with one staff in charge of the repair services, whereas Latif in charge of the order and supplies of the stocks. Ramu would receive a salary of RM2,500 per month and 3% of the business revenue. Latif would receive a salary of RM2,800 per month and 5% return from capital contributed by him. They have found the shop to rent and plan to commence the business as soon as the legal matters are settled.

Required:

Asses, with reasons, whether a partnership exists in the business plan crafted by Ramu and Latif.

(5 marks)

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b) Vanusha solely own and runs a minimarket, named 'Vanusha Mart' since the year 2016. The minimarket's statement of profit and loss for the financial year ended 31 December 2021 are given below.

	Note	RM	RM
Sales revenue			405,700
Less: Cost of sales	1		(230,600)
Gross profit			175,100
Less: Expenses			
• Operating expenses	2	129,200	
• Selling and distribution expenses	3	18,000	(147,200)
Income before tax			27,900

Notes:

1. Cost of sales included the following expenditures:

	RM
Purchases	195,400
Provision for inventory obsolescence	4,500
Obsolete inventory written-off	3,900
Depreciation	25,000
Cost of iPad tablet for Vanusha's personal used.	1,800
	230,600

2. Operating expenses were made up of:

	RM
Salaries for shop assistants	58,000
Salaries for Vanusha	36,000
Employer's EPF contribution for shop assistants	5,220
Life insurance premium for Vanusha	2,500
Utilities (included RM1,000 for December & November unpaid bills)	6,080
Rental expense for the shop lot	19,200
Face masks and hand sanitisers for staffs and customers	1,000
Holiday trip for Vanusha's family	1,200
	129,200

3. Selling and distribution expenses comprised of:

	RM
Marketing and promotion expenses	4,800
Fuel for business vehicles	7,200
Samples for free gifts to customers	2,100
New display shelves for goods	3,900
	18,000

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Vanusha Mart is eligible to claim a balancing charge of RM810 and capital allowance of RM21,600.

Besides her business, Vanusha also received single tier dividend of RM3,824 from shares invested in Malaysian companies. She also received an interest income of SGD3,844 from the investment she made in Singapore. The currency during the time was as follows: 1 Singapore Dollar = 3.174 Malaysian Ringgit. However, she only received the money in her Malaysian bank account in January 2022.

Required:

i) Compute the total income of Vanusha for the YA 2021.
Note: Start your computation with profit before taxation figure. Indicate 'nil' in the appropriate column for item that does not require adjustment.

(30 marks)

ii) Explain briefly to Vanusha, her responsibility as a business taxpayer in ensuring her business is compliance with Income Tax Act 1967.

(5 marks)

[Total: 40 marks]

End of question.

APPENDIX 1

TAX RATES AND ALLOWANCES

The following tax rates, allowances and values are to be used in answering the questions.

1. Income tax rates for resident individuals for the Year of Assessment (YA) 2021.

Chargeable Income (RM)	Calculations (RM)	Tax Rate %	Tax Payable (RM)
0 - 5,000	On the first 5,000	0	0
5,001 – 20,000	On the first 5,000 Next 15,000	1	0 150
20,001 - 35,000	On the first 20,001 Next 15,000	3	150 450
35,001 - 50,000	On the first 35,000 Next 15,000	8	600 1,200
50,001 - 70,000	On the first 50,000 Next 20,000	13	1,800 2,600
70,001 - 100,000	On the first 70,000 Next 30,000	21	4,400 6,300
100,001 - 250,000	On the first 100,000 Next 150,000	24	10,700 36,000
250,001 - 400,000	On the first 250,000 Next 150,000	24.5	46,700 36,750
400,001 - 600,000	On the first 400,000 Next 200,000	25	83,450 50,000
600,001 – 1,000,000	On the first 600,000 Next 400,000	26	133,450 104,000
1,000,001 – 2,000,000	On the first 1,000,000 Next 1,000,000	28	237,450 280,000
Exceeding 2,000,000	On the first 2,000,000 Next ringgit	30	517,450 .....

Non-Resident Individual Rate for employment income (2021 onwards)

Non-resident person (other than companies): 30%

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2. Reliefs for the Year of Assessment (YA) 2021.

	RM
Personal relief	9,000
Disabled taxpayer (additional relief)	6,000
Spouse relief	4,000
Disabled spouse relief (additional relief)	3,500
Medical expenses for parents	8,000
Medical expenses for serious diseases (including complete medical examination for self, spouse, child and vaccination expenses of up to RM1,000)	8,000
Basic supporting equipment for disabled taxpayer, spouse, children, or parents	6,000
Child relief (below 18 years old) - Each - Disabled	 2,000 6,000
Child relief (over 18 years old and studying in tertiary education) - Each - Disabled	8,000 14,000
Amount deposited into SSPN for child	8,000
Premium on deferred annuity contract and private retirement scheme	3,000
Employee contribution to Employees' Provident Fund (EPF) or approved provident fund	4,000
Premium on life insurance - Public servants under pension scheme - Others	 7,000 3,000
Premium on medical/education insurance	3,000
Employee's contribution to SOCSO scheme	250
Education fees paid by taxpayer for his own self-improvement	7,000
Lifestyle expenses	2,500
Special tax relief – purchase of computer, smartphone, or tablet not for business use.	2,500
Breastfeeding equipment	1,000
Fees paid to childcare centre and kindergarten	3,000
Qualifying domestic travel expense for accommodation at registered premises and entrance fee to tourist attractions from 1st March 2020.	1,000

3. Rebates for the Year of Assessment (YA) 2021.

	RM
Chargeable income not exceeding RM35,000	
- Individual	400
- Additional relief when spouse relief is claimed	400
The amount of departure levy paid in respect of performing Umrah and pilgrimage to holy place.	-

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4. Prescribed value of benefits in kind: Car and fuel scale

Cost of car (when new)	Prescribed annual value of private usage of car	Fuel per annum
RM	**RM**	**RM**
Up to 50,000	1,200	600
50,001 – 75,000	2,400	900
75,001 – 100,000	3,600	1,200
100,001 – 150,000	5,000	1,500
150,001 – 200,000	7,000	1,800
200,001 – 250,000	9,000	2,100
250,001- 350,000	15,000	2,400
350,001 – 500,000	21,250	2,700
500,001 and above	25,000	3,000

The value of the car benefit equal to half of the prescribed annual value (above) is taken if the car provided is more than five (5) years old, but the value of the fuel provided remains unchanged. Where a driver is provided by the employer, the value of the benefit per month is fixed at RM600.

Other benefits

Household furnishings, apparatus & appliances
- Semi-furnished with furniture in the lounge, dining room, or bedrooms - RM70 per month
- Semi-furnished with furniture as above and one or more of the following:
  - Air-conditioners, curtains, carpets - RM140 per month
- Fully furnished premises - RM280 per month

Domestic servant - RM400 per month

Gardener - RM300 per month

Capital allowances

	Initial allowance Rate (%)	Annual allowance Rate (%)
Motor vehicles and heavy machinery	20	20
General plant and machinery	20	14
Office equipment, furniture and fittings	20	10
Industrial building	10	3
Computer, information technology equipment & computer software	20	40

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